Oregon PUC Survey Report – Prepared by Giang Nguyen
for NARUC Subcommittee of Accounting and Finance – July 26, 2021

I first want to thank all of the eight commissions that participated in our survey about energy Lifeline rates.[1] This report is a recap of existing programs, the eligibility criteria for low-income ratepayers, and the sustainability of the programs. The survey is a part of a larger study by the Oregon PUC to review and prepare to implement Energy Lifeline Rate Programs after the passage of Oregon House Bill HB-2475. Your responses are valuable references for Oregon and other commissions that may be considering establishing such programs.

1. Lifeline rate program

Most of the energy assistant programs come from federal grants through the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program (WAP). The Lifeline rate program is a special rate setting for low-income ratepayers that serves as an additional energy assistance on top of the federal grant. Lifeline rate programs are already available in 16 states[2]: Arizona, California, Colorado, Georgia, Maine, Massachusetts, Minnesota, Michigan, New Hampshire, New York, Texas, Pennsylvania, Rhode Island, Vermont, and Washington.

Programs in Oregon, Maryland, and Virginia are being implemented as well. The programs vary across utilities and states. The rate design are mandated by utilities with different approaches. Some common methods to set Lifeline rates are listed in the table below:

Lifeline Rate Settings	Definition	Strengths	Weaknesses
The straight rate discount	An across-the-board discounts ranging from 30 to 40 percent to income-eligible household. The utilities collect the entire bill from households who are able to pay, and offer rate relief only to those for whom it can reasonably be determined will not pay their entire bill.	The program offers the least administration burden since it asks for income eligible but not the precise income. Utilities can maximize the receipt of revenue from customers who cannot afford to pay their bills while minimizing all of the expenses associated with	It does not redress inability-to-pay problems nor is it efficient in doing so in any type of cost-justified manner. Selection based entirely on income may not properly identify which households are truly unable to pay their bill.

[1] Lifeline is a general name for a variety of rate reform proposals intended to reduce utility rates for essential residential needs, to help the poor, to promote conservation, and to apply marginal cost pricing to utility rates. A lifeline proposal is compatible with revenue requirement, provided revenues lost on lifeline sales are recovered by increasing the price of other sales.

[2] Utility Rate Discounts for Low-Income Customers in Other States (ct.gov)

		collection and nonpayment.	
The percentage of income payment plan (PIPP)	Energy bills are set equal to a percentage of a household's income. A "tiered" approach is most commonly used. This tiered approach differentiates required percentage of income payment amounts depending upon where the household lies in relation to the Federal Poverty Line.	The program is built on existing LIHEAP structures. PIPP can offer tangible and consistent rate relief for low-income rate payers.	PIPP falls to account for household unexpected expenses such as high medical bills or childcare. It cannot validate what percentage is "affordable" and fails to include low-income households with energy consumption below the 6% assumed affordable percentage.
The fixed credit approach	A different version of PIPP. The fixed credit calculates what bill credit would need to be provided to the household in order to bring the household's energy bill down to a designated percent of income.	The program contains all PIPP strengths and weakens as listed above. Fixed rate credit is commonly used as it does not incentivize eligible customers to change their usages to exploit the benefit offered.	Same as PIPP
Waived customer charge	A fixed charge is waived by the utility for low-income households.	The program has a low administrative burden and can cheaply reach a	The program does not guarantee outcome efficiency, and its weaknesses

		larger pool of participated households. Like the fixed credit approach, this mitigates a household's incentives to change its electricity consumption patterns.	are similar to the straight rate discount.

2. Eligibility requirements

Most of states and utilities set low-income level at or below 150% Federal poverty level (FPL). There are examples of states setting different thresholds, such as Washington which will move to using 200% of FDL or 80% of Area Median Income as the eligibility threshold by Oct 1, 2021. Although eligibility requirements differ between programs, participants in the Lifeline program often also receive federal assistances such as LIHEAP, WAP, or other federal assistance programs such as SNAP. For example, in 2020, Maine has 4.9% people receive Low Income Assistance Plan (LIAP) of the total residential customers of LIHEAP in 2020, while 49% participants in the LIAP program receive LIHEAP. Although there are separate

Participants in these program have to wait for one to three months before clearing the application process. Most of the established Lifeline programs have no rule on disconnections or not specifically clarify in the survey.

3. Funding and program sustainability

The Utility lifeline rate programs are designed and run by utilities, so utilities have the authority to design low-income rates in a way that balances their budgets or maximizes revenue. Some utilities also have donation-based bill assistance programs available for qualified low-income customers, such as the municipally-owned Eugene Water and Electric Board. Some states establish dedicated funding for these program such as the Michigan Energy Assistance Program (MEAP), which is funded through the Low-Income Energy Assistance Fund. Many of these programs have a funding cap in order to protect against runaway costs, such as MEAP which is capped at $50 million and Maine Low Income Assistance Plan (LIAP) which is capped at $7.8 million.

The goal of the survey is to study Lifeline rate programs or special rate discounts for low-income ratepayers in different states. The report is a recap from the commission's response to the Oregon PUC's questions sent out at in June, 2021 and a study of other state's reports on energy assistance programs.

Please free to contact me if you want any correction, clarification, or additional information on a particular item.

Best Regards, Giang Nguyen